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UNCLAS ABUJA 001526

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STATE PLEASE PASS TO EX/IM FOR DSOMERVILLE, DSCHNEIDER
AND ROBINSON

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [NI](#) [PREL](#)

SUBJECT: NIGERIA: BILATERAL DEBT NEGOTIATIONS REMAIN
IN LIMBO

REF: A. A) ABUJA 1375

[B. B\) ABUJA 1374](#)

[C. C\) STATE 79460](#)

[D. D\) CARRIG-MULLINAX 12JUN01 EMAIL](#)

[E. E\) STATE 97771](#)

[1](#)1. (SBU) Director General of the Debt Management Office Mr. A.S. Arikawe told Economic Section Chief June 27 that he remains pessimistic on prospects for an early resolution of USG/GON differences regarding the bilateral debt rescheduling agreement required to implement the December 2000 Paris Club rescheduling.

[1](#)2. (SBU) Arikawe reports that Nigeria continues its negotiations with several bilateral creditors, but that the GON's differences with the U.S. are the most substantive and those differences are growing. In addition to the objections mentioned in Refs A and C, Arikawe cited the following as "among the major problems":

(a) The GON disagrees with the interest accrual method, asserting that 5 percent per annum compounded daily results in greater interest charges than 5 percent per annum compounded annually, thus the effective interest rate is not as agreed to originally.

(b) The GON would require a rate of 5 percent compounded annually, or, as an alternative, USG agreement to use a 360-day basis year with monthly compounding.

(c) A clarification of and adjustment in the interest rate and charges for non-previously scheduled debt.

[1](#)3. (SBU) According to Arikawe, the GON will convene a gathering of Nigerian debt experts the week of July 9 to give the Debt Management Office's proposals "a thorough scrub" before they are submitted for approval for presentation to the USG. He now estimates the week of July 16 as the earliest that we can expect to receive those written comments promised at the May 3 Washington meetings.

[1](#)4. (SBU) Arikawe further reported that Nigeria's Finance Minister wrote June 27 to the Paris Club Chairman requesting a five-month extension from June 30 to November 30 (vice the 3-month extension noted in para 6, Ref A) for concluding the bilaterals required to implement the December 2000 Paris Club rescheduling agreement.
Jeter